No. 15-927

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR PETITIONERS

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Dated: July 15, 2016

QUESTION PRESENTED

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

PARTIES TO THE PROCEEDINGS

All parties to the proceedings are identified in the caption.

CORPORATE DISCLOSURE STATEMENT

Petitioners SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. are wholly-owned subsidiaries of Svenska Cellulosa Aktiebolaget SCA (publ.) which is traded on the Swedish stock exchange. No other publicly traded company owns 10% or more of the stock of Petitioners SCA Hygiene Products Aktiebolag or SCA Personal Care, Inc.

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OPINIONS BELOW

The en banc opinion of the United States Court of Appeals for the Federal Circuit is reported at 807 F.3d 1311 and reprinted at Pet. App. 1a–66a. The panel opinion of the United States Court of Appeals for the Federal Circuit is reported at 767 F.3d 1339 and reprinted at Pet. App. 67a–91a. The opinion of the United States District Court for the Western District of Kentucky granting summary judgment is unreported but available at 2013 WL 3776173 and reprinted at Pet. App. 92a–120a.

JURISDICTION

The United States Court of Appeals for the Federal Circuit entered its en banc judgment on September 18, 2015. Pet. App. 1a. On November 23, 2015, the Chief Justice granted Petitioners' request to extend the time to file a petition for writ of certiorari to and including January 19, 2016, no. 15A546. The petition for writ of certiorari was filed on that date and granted on May 2, 2016. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Section 282(b) of the Patent Act, 35 U.S.C. § 282(b) (2010), the version of the statute applicable to this case, provides:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability,
>
> (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
>
> (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,
>
> (4) Any other fact or act made a defense by this title.

All citations to section 282 herein refer to the 2010 version of the section, unless otherwise noted.

Section 283 of the Patent Act, 35 U.S.C. § 283, provides in relevant part:

> The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

Section 286 of the Patent Act, 35 U.S.C. § 286, provides:

> Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.
>
> In the case of claims against the United States Government for use of a patented invention, the period before bringing suit, up to six years, between the date of receipt of a written claim for compensation by the department or agency of the Government having authority to settle such claim, and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the period referred to in the preceding paragraph.

STATEMENT

Section 286 of the Patent Act expressly provides that a patent holder has six years to bring a damages claim to redress any act of infringement. Nowhere does section 286 authorize the use of the equitable doctrine of laches to cut short a patent holder's legal right to bring suit within this statutory time period. Yet the court below concluded that laches is available for that purpose. Worse, it applied a presumption of laches to truncate Petitioners' right to pursue legal damages claims.

Where Congress has not authorized the judiciary to limit statutory rights for equitable reasons, using the equitable defense of laches to truncate legal rights contradicts our legal tradition, usurps the legislative function, and exceeds the judicial prerogative. Just two terms ago, in *Petrella*, this Court applied that teaching in a virtually indistinguishable setting: a claim that laches could be used to truncate the Copyright Act's three-year limitations period. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). Just as the Court rejected the use of laches there, it should do so here. Although the equitable defense of laches is sometimes available to supplement legal rights under certain conditions, and may limit *equitable* remedies, it may not be used to cut off statutorily prescribed *legal* rights unless Congress expressly so provides.

Congress has not expressed any such intention in the Patent Act. And if Congress had intended to give courts the authority to shorten the six-year period in section 286 on the equitable ground of laches, it could easily have done so. Section 283 of the Patent Act

expressly authorizes courts to issue injunctions in patent suits "in accordance with the principles of equity." In contrast, section 286 contains no similar grant of equitable discretion. That omission is both deliberate and unsurprising: adding an equitable laches defense to section 286 would not only undermine the certainty and uniformity Congress sought to establish with the provision it passed, but would also encourage patent holders to litigate prematurely in order to avoid losing their rights for obscure and uncertain equitable reasons.

Because section 286 unambiguously establishes a six-year limitations period, Respondents bear an exceptionally heavy burden of proving that Congress intended something other than what it actually enacted. There is, however, no sound argument that Congress intended to authorize the federal courts to use laches to shorten this six-year period—let alone the kind of exceptionally compelling evidence needed to overcome the statute's clear terms. Thus, laches cannot be used to impair a patent holder's statutory ability to enforce its property rights through the pursuit of legal damages claims.

A. Statutory Background

1. *The History of the Patent Act's Statute of Limitations.* The Patent Act authorizes patent holders to bring suit seeking damages and, in appropriate cases, injunctive relief to vindicate their rights. 35 U.S.C. §§ 281, 283, 284. Regarding the timeliness of damages claims, section 286 of the Patent Act specifically provides in relevant part: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more

than six years prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286. The provision evolved out of the need to create a national uniform limitations period for patent infringement claims and has its roots in the nineteenth century.

Through the 1800s, suits for legal damages in patent cases were administered separately from actions for equitable relief, with each proceeding having its own rules of procedure. *See Root v. Lake Shore & M.S. Ry. Co.*, 105 U.S. 189, 191–207 (1881) (canvassing history and distinctions between legal and equitable patent actions), *superseded by rule, as recognized sub silentio in Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 471 (1962). Before 1870, there was no federal limitations period for legal or equitable patent claims. In 1870, Congress made significant revisions to the patent laws and included, for the first time, a six-year limitations period. Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206. That provision, however, was short-lived.

In 1874, Congress codified the United States laws into the Revised Statutes, leaving out the 1870 patent statute of limitations. *Campbell v. City of Haverhill*, 155 U.S. 610, 613–14 (1895), *superseded by statute*, Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 694. The courts were then left to determine the timeliness of a patent infringement claim without express statutory guidance, and a split of authority on the issue developed. *Id.* Some courts borrowed different state limitations periods, while others refused to apply any limitations period at all. *Id.* at 613. This Court resolved that controversy in *Campbell*, determining

that, because Congress had not spoken, the proper course was to borrow from state law. *Id.* at 616–21.

The practice of borrowing from state law that *Campbell* endorsed resulted in a patchwork of different limitations periods across the country. Both the patent bar and Congress had significant concerns about this variable practice and worked to replace it with a uniform national rule. *See* H.R. REP NO. 54-940, at 2 (1896). In 1897, Congress did so by again enacting a uniform six-year federal limitations period for patent infringement actions. Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694.

At the time that Congress passed this provision, it was generally accepted that a statutory limitations period was binding on the courts of law and not subject to equitable curtailment. In 1894, for example, this Court reiterated the common-law rule that "[i]f the plaintiff at law has brought his action within the period fixed by the statute of limitations, no court can deprive him of his right to proceed." *Wehrman v. Conklin*, 155 U.S. 314, 326 (1894). At no time during this period did this Court approve the use of laches to curtail statutorily prescribed legal rights in patent proceedings.

Over the next fifty years, the limitations provision underwent further minor revision. After amendment in 1946 it read: "but recovery shall not be had for any infringement committed more than six years prior to the filing of the complaint in the action." Act of Aug. 1, 1946, ch. 726, § 4921, 60 Stat. 778, 778.

2. *The 1952 Patent Act.* In 1951, a subcommittee of the House Committee on the Judiciary held hearings on a "bill to revise and codify the laws

relating to patents and the Patent Office, and to enact into law title 35 of the United States Code entitled 'Patents.'" H.R. 3760, 82d Cong. (1951). At the hearings, the portion of the bill that became section 286 was specifically referred to as "the statute of limitations." *Hearings on H.R. 3760 Before Subcomm. No. 3 of the H. Judiciary Comm.*, 82d Cong. 80, 108 (1951) (statements of Capt. George N. Robillard, U.S. Navy, Appearing for the Dept. of Defense, and P.J. Federico, U.S. Patent Office). The House and Senate Reports accompanying the bill also referred to section 286 as "the statute of limitations." H.R. REP. NO. 82-1923, at 10 (1952); S. REP. NO. 82-1979, at 8–9 (1952). At the time of the bill's passage, the first paragraph of section 286 incorporated the language from the 1946 statute of limitations quoted above, and the second paragraph added a provision permitting extension of the six-year term in cases involving suits against the government. Act of July 19, 1952, Pub. L. No. 82-593, 66 Stat. 792, 813. As far as the record reveals, at no point in the legislative process did anyone ever suggest that the six-year limitations period could be shortened through the use of laches. The bill was approved on July 19, 1952. *Id.* Section 286 remains in the same form today

B. Factual and Procedural History

1. *The Initial Correspondence.* Petitioners SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively, "SCA") manufacture and sell adult incontinence products worldwide, which are sold in the United States under the TENA® label. SCA inventors developed an innovative protective underwear design and patented the invention in U.S. Patent

No. 6,375,646 ("the '646 patent"), which issued on April 23, 2002. Supp. J.A. SA1–9. Respondents First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and First Quality Retail Services, LLC (collectively, "First Quality") manufacture private label disposable products that emulate the products designed by the branded market leaders, such as SCA. *See, e.g.*, A0110–A0111; A1229:9–A1230:13; A1453. (All A__ cites are to the Federal Circuit appendix.)

In 2003, SCA and First Quality exchanged correspondence relating to the '646 patent and First Quality's use of SCA's patented technology. J.A. 52a–55a. In its defense, First Quality took the position that SCA's patent was invalid in light of U.S. Patent No. 5,415,649 issued previously to an unrelated party (the "Watanabe patent"), arguing that the Watanabe patent had previously disclosed the invention in the '646 patent and thus rendered SCA's patent invalid. J.A. 52a–53a. Thereafter, First Quality never asked for a further response from SCA. According to First Quality, after it sent its letter the matter "was never thought of again." A1171:19–A1172:7

2. *PTO Reexamination.* Rather than file suit immediately, SCA sought guidance from the U.S. Patent and Trademark Office ("PTO") regarding the validity of its patent. In July 2004, SCA filed a request for a reexamination of its patent in light of the Watanabe patent. Supp. J.A. SA10–11. Reexamination files are open to public inspection, 37 C.F.R. § 1.11(c)–(d) (2004), and the PTO notified the public of SCA's reexamination request in August 2004. J.A.

49a–50a. The Internet allows easy access to reexamination files. *See* portal.uspto.gov/pair/ PublicPair.

The PTO took almost three years to conclude the reexamination. In March 2007, the PTO issued a reexamination certificate, which is the final agency action setting forth its decision on the reexamination process. Supp. J.A. SA10–11. The PTO confirmed the validity of all claims in SCA's '646 patent, vindicating SCA's view that the Watanabe patent was not prior art that invalidated the '646 patent. At SCA's request, the PTO also agreed to grant new claims 29–38, embodying variations of the original invention.[1] Supp. J.A. SA10–11. These new claims, however, were issued as of the date of the certificate.

3. *Proceedings in the District Court.* In August 2010, three years and four months after the PTO finished its reexamination, and six years and ten months after SCA first wrote to First Quality, SCA filed its patent infringement suit in the United States District Court for the Western District of Kentucky. J.A. 23a, Dkt. No. 1. SCA's one-count complaint sought damages and equitable relief for First Quality's infringement of the '646 patent through making, using, and selling its Prevail line and private label adult incontinence products. *Id. See also* A0056.

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[1] In the patent context, a "claim" refers to the portion of the patent that particularly describes the subject matter of the invention. The "new claims" in this case referred to particular descriptions of variations of the subject matter of the original patent.

Following discovery, First Quality moved for summary judgment, asserting that SCA's claim for infringement of the '646 patent was barred by laches and equitable estoppel. A0235–A0309. At that point in the litigation, SCA had infringement claims pending with respect to original claims 1–11 and 15–25, as well as additional claims 35–38, which issued following the reexamination. *See* A0346, A0382, A0411. At the time, the Federal Circuit's decision in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc) governed the requirements for proving laches and estoppel in patent cases. In order to establish laches, *Aukerman* required proof that (1) the patentee had unreasonably and inexcusably delayed bringing suit, and (2) the delay had materially prejudiced the infringer. *Id.* at 1032. In addition, if the delay was greater than six years, the court applied a presumption that both elements were present, *id.* at 1035, which presumption could be overcome through the introduction of evidence, *id.* at 1037–38. In order to demonstrate estoppel, *Aukerman* required proof that (1) the patent holder had misled the infringer into believing reasonably that the patentee did not intend to enforce its patent rights, (2) the infringer had relied on the patent holder's misleading conduct, and (3) the infringer had suffered material prejudice. *Id.* at 1041–42. For both laches and estoppel, the prejudice could be either economic or evidentiary prejudice. *Id.* at 1033, 1043.

SCA opposed First Quality's motion for summary judgment on its laches and estoppel theories. It urged, among other things, that there was no unreasonable delay because SCA had reasonably

sought reexamination of its own patent. Pet. App. 101a–05a; A1097, A1129–34. SCA also disputed First Quality's claim of economic prejudice, arguing that First Quality had made an unspecified assertion that it had expanded its business during the delay. Pet. App. 105a–07a; A1097, A1124–29. SCA contended that First Quality had simply followed its business opportunities, something it would have done regardless of when SCA filed suit. Pet. App. 105a–11a; A1124–29. As evidence, SCA submitted deposition testimony from nine witnesses to rebut the presumption of economic prejudice. *See, e.g.*, A1097–A1144; A1407–11; A1460–67.

The district court found that, under *Aukerman*, the reliance and prejudice elements of laches were presumed and SCA's good faith in taking its own patent to the PTO for reexamination was irrelevant. As a result, it granted summary judgment, holding that laches barred SCA's claims for pre-suit damages. Pet. App. 100a–11a. The district court further found that there was no genuine issue of material fact for trial regarding First Quality's motivation in expanding its business, or on the issues of reliance or prejudice, so it also granted summary judgment against SCA on the estoppel theory. Pet. App. 111a–20a.

4. *Proceedings Before the Federal Circuit Panel.* SCA appealed the district court's ruling to a panel of the Federal Circuit. While the case was under submission, this Court issued its decision in *Petrella*, holding that the equitable defense of laches cannot preclude an award of damages for copyright infringement that occurs during the Copyright Act's

three-year limitations period, 17 U.S.C. § 507(b). 134 S. Ct. at 1967–68. In particular, *Petrella* held: "To the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period, courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* SCA filed a letter of supplemental authority in the court below as part of its pending appeal, explaining that the logic of *Petrella* applies equally to patent cases, and that *Petrella* compels reversal of *Aukerman*. J.A. 6a, Dkt. No. 51. Thereafter, the panel entered its judgment reversing the district court on equitable estoppel, but affirming on laches. Pet. App. 68a.

On the issue of equitable estoppel, the panel found, *inter alia*, a genuine issue of material fact as to whether First Quality had suffered economic prejudice in its claimed reliance on SCA's letter and the delay involved in seeking reexamination. Pet. App. 85a–91a. The panel considered it persuasive that "SCA almost immediately filed a request for ex parte reexamination of the '646 patent to address the issues raised by First Quality—an action that could reasonably be viewed as inconsistent with SCA's alleged acquiescence." Pet. App. 88a. Thus, "[a] reasonable juror could conclude that First Quality raised an issue SCA had overlooked and that SCA, rather than acquiescing, took immediate action." *Id.*

On the issue of laches, however, the panel affirmed the district court's grant of summary judgment in First Quality's favor. In reaching its decision, the panel declined to address the viability of *Aukerman* following this Court's decision in *Petrella*, stating that

only the Supreme Court or the Federal Circuit sitting en banc could do so. Pet. App. 76a. The panel then ruled that, because the first act of infringement had occurred more than six years before SCA commenced its suit, the *Aukerman* presumptions of unreasonable delay and prejudice applied, and so laches barred all pre-suit damages even for new infringements within the six year period before suit. Pet. App. 76a–77a. In other words, the court barred SCA's claims for infringement both during the reexamination as well as those that accrued between the issuance of the reexamination certificate (which had newly issued claims) and commencement of the suit. The panel remanded for trial on the prejudice element of estoppel, but precluded trial on the prejudice element of laches. Pet. App. 91a.

5. *The En Banc Proceedings.* SCA petitioned for rehearing en banc. J.A. 7a, Dkt. No. 55. In particular, SCA asked the court to bar the use of laches as a defense to pre-suit damages, or, in the alternative, revoke the *Aukerman* laches presumptions. *Id.* Numerous other inventors and patent holders filed amicus briefs in support of SCA.

The court below granted SCA's petition for rehearing en banc, vacating the panel's decision. J.A. 9a, Dkt. No. 76. Although the court declined to revisit the laches presumptions, it agreed to consider whether it should overrule *Aukerman* in light of *Petrella* and whether laches can bar patent infringement suits for damages or injunctive relief. Pet. App. 7a. Ultimately, the court divided 6-5 in reaffirming the vitality of laches as a defense to pre-suit patent damage claims. Pet. App. 45a. In contrast

to its closely divided decision on laches, however, all participating members of the court joined in reversing the grant of summary judgment on the issue of equitable estoppel. Pet. App. 44a.

a. In rendering its decision, the en banc majority conceded that there is "no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*." Pet. App. 18a. Nevertheless, the court retained its special laches rule in patent cases, albeit with a new rationale.

In particular, the decision below jettisoned most of the reasoning of *Aukerman*, which had rested in large part on the theory that the merger of law and equity in the 1930s had brought the doctrine of laches over into actions at law. *Aukerman*, 960 F.2d at 1031–32. This Court had explicitly rejected that theory in *Petrella*. 134 S. Ct. at 1973–74. Instead, and looking past the express timeliness provision of section 286, the decision below focused on section 282. The majority interpreted that provision as evidencing Congress's intent to permit judges to abridge the Patent Act's statutory limitations period on equitable grounds. Pet. App. 18a–35a. Section 282 generally lists the defenses available in patent infringement actions, but does not mention laches and does not otherwise prescribe any limitations period, a subject that is covered specifically by section 286.

The cornerstone of the majority's analysis of section 282 was a brief statement in a commentary prepared by PTO official P.J. Federico two years after the passage of the provision. Pet. App. 20a–23a (citing P.J. Federico, *Commentary on the New Patent Act*, 35

U.S.C.A. 1 (West 1954), *reprinted in* 75 J. PAT. & TRADEMARK OFF. SOC'Y 161, 217 (1993) (hereinafter "Federico Commentary")). The majority also focused on several pre-Patent Act lower court decisions that had purportedly applied laches to bar claims for legal damages, arguing that congressional silence in the face of these decisions justified expanding the use of laches to truncate claims for legal relief. Pet. App. 29a–35a.

b. Judge Hughes dissented in part, joined by Judges Moore, Wallach, Taranto, and Chen. Beginning with an analysis of *Petrella*, Judge Hughes noted that this Court has "never approved the use of laches to bar a claim for legal damages brought within a statutory limitations period." Pet. App. 45a. Further, "[l]ike the statute of limitations considered in *Petrella*, the statutory limitations period in § 286 of the Patent Act expresses Congress' judgment on the timeliness of claims for damages." Pet. App. 47a. Agreeing with the majority that, "with respect to claims for damages and the conflict with laches, there is no functional difference between § 286 and a statute of limitations," Judge Hughes concluded that "[t]he Supreme Court's decision in *Petrella*, therefore, strongly suggests that laches is not available to further regulate the timeliness of damages claims in patent-infringement cases." Pet. App. 48a.

Judge Hughes also noted that "[t]he Supreme Court has repeatedly cautioned [the Federal Circuit] not to create special rules for patent cases." Pet. App. 46a; *see also* Pet. App. 48a–49a. Accordingly, he proceeded to examine carefully the Patent Act and its legislative history, demanding, but not finding,

"compelling evidence" for a unique patent-law rule for laches. Pet. App. 48a–49a.

In this regard, Judge Hughes noted two key flaws in the majority's analysis: (1) "the majority interprets 35 U.S.C. § 282 in isolation, without regard to Congress' intent expressed in § 286" and (2) "in addition to misreading the pre-1952 cases it cites, the majority limits the scope of its review to favorable patent cases . . . ignor[ing] Supreme Court precedent and other federal court decisions holding that laches does not bar claims for legal relief filed within a statutory limitations period." Pet. App. 49a. He then found that, when "[p]roperly analyzed, we cannot reasonably infer from the Patent Act that Congress intended to depart from this common-law principle." *Id.*

SUMMARY OF ARGUMENT

I. Section 286 states in clear terms that the timeliness of patent-infringement damage claims is governed by a six-year limitations period. Nowhere does it authorize the use of the equitable doctrine of laches to shorten that period. Because the plain meaning of what Congress actually enacted directs a six-year limitations period, the court below was not at liberty to use laches to apply a shorter limitations standard. When Congress wanted to authorize resort to "the principles of equity" in the administration of patent litigation, it did so expressly, in section 283 (governing injunctive relief), but chose not to do so in section 286. That choice is presumptively meaningful and should have been followed in this case.

In addition to conflicting with section 286's express six-year rule, the use of laches also conflicts with the

separate-accrual rule. Consistent with historic practice, the statutory text treats each patent infringement as a discrete wrong with its own distinct limitations accrual. In contrast, the Federal Circuit's unique laches doctrine improperly lumps claims together, presuming all pre-suit damages from separate infringements are barred if any act of infringement occurred more than six years prior to suit.

This case is also indistinguishable from this Court's recent decision in *Petrella*. There, the Court held that laches may not be used to constrict the statutory limitations period for bringing legal claims under the Copyright Act. 134 S. Ct. at 1967, 1974. As the decision below concedes, there is no principled difference between the limitations provision in the Copyright Act and section 286. Pet. App. 18a. Thus, the same analysis should apply in both settings. As this Court emphasized in *Petrella*, both before and after the merger of law and equity in 1938, laches has never been available to curtail legal relief sought within a congressionally prescribed limitations period. 134 S. Ct. at 1973–74. Laches developed as a means to limit equitable relief, not legal rights. *Id.* Moreover, the merger of law and equity did not change preexisting substantive rights or remedies, nor import the traditional equitable defense of laches into law. *Id.* at 1974. Equity still follows the law; it does not trump it. Even as to equitable relief, *Petrella* held, laches is rarely a threshold bar; it almost always is merely one factor among others to be considered in fashioning relief at the remedial stage. *Id.* at 1967, 1978.

II. The decision below further errs in holding that a different provision of the Patent Act—section 282—implicitly carves out an exception to section 286's six-year time period. Section 282 speaks in general terms and never mentions laches. Moreover, although section 282 speaks generally of defenses available in patent infringement suits, section 286 speaks specifically to the issue of timeliness, and here the specific provision prevails.

In support of its decision, the court below claimed to rely on settled historical practice that predates the Patent Act. Pet. App. 29a–34a. But there was never truly a settled pre-Patent Act background rule allowing laches to cut short patent-infringement damages claims. Rather, the relevant background rule is the long line of this Court's precedents holding that laches cannot be used to cut short congressional statutory limitations periods for actions at law. The few lower court cases on point were mixed, hardly establishing a fixed rule. Likewise, those that appear to approve the use of laches in patent suits do so ambiguously and in conflict with both this Court's pronouncements on the issue and traditional principles of the common law. Further, the post-enactment commentary by one PTO official, on which the decision below relied heavily, Pet. App. 20a–22a, does not even address the precise question at issue here, and, in any event, cannot be used to alter what Congress actually enacted.

III. By importing laches into the administration of suits involving legal claims, the decision below undermines the Patent Act's purposes and policies. In enacting the predecessor to section 286, Congress

replaced the patchwork of state-law time limits with a six-year period in order to make federal law clear, predictable, and uniform across the country. The six-year period further promotes out-of-court dispute resolution, giving the parties time to approach the PTO, arbitrate, mediate, or settle instead of charging into court. But by making timeliness unclear and unpredictable, the decision below forces patent holders to "sue soon, or forever hold [their] peace." *Petrella*, 134 S. Ct. at 1976. The American Bar Association's Section on Intellectual Property Law has criticized the decision below on just those grounds. Reply App. 9a–10a. Moreover, laches is not needed to prevent unfair surprise, as the Patent Act's marking rules largely limit damages to those infringers who were on notice. 35 U.S.C. § 287

IV Even if laches could somehow apply at law and constrict a statutory limitations period, there is no warrant for presuming it, as the decision below did. This Court rejected a similar presumption in *Petrella*, because presuming laches based on prior infringement undercuts Congress's choice to make each infringement separately actionable. 134 S. Ct. at 1972. The decision of the court below should be reversed.

ARGUMENT

I. The Text of Section 286 and This Court's Analysis in *Petrella* Foreclose the Use of Laches to Abridge the Patent Act's Statute of Limitations.

As with any statute, analysis of the Patent Act begins with the text of the statute itself. *Sebelius v. Cloer*, 133 S. Ct. 1886, 1893 (2013). In examining the

language of section 286, and absent any specific definitions supplied by Congress, its "words will be interpreted as taking their ordinary, contemporary common meaning." *Bilski v. Kappos*, 561 U.S. 593, 603 (2010) (internal quotation marks omitted). Moreover, when construing the Patent Act, courts "should not read into the patent laws limitations and conditions which the Legislature has not expressed." *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199 (1933), *decision amended by United States v. Dubilier Condenser Corp.*, 289 U.S. 706 (1933).

If the words of the relevant statutory provision are plain, that is where the analysis should end. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1755 (2014); *see also Estate of Cowart v. Nicklos Drilling Co.*, 505 U.S. 469, 475 (1992). Only in "rare cases" in which "the literal application of a statute will produce a result demonstrably at odds with the intention of its drafters," or where the result is absurd, may a court decline to apply a statute's plain meaning. *Griffin v. Oceanic Contractors, Inc.*, 458 U.S. 564, 571, 575 (1982); *see also Green v. Bock Laundry Mach. Co.*, 490 U.S. 504, 510 (1989).

Here, the text of the Patent Act in general, and section 286 in particular, is exceptionally clear: it specifies a six-year limitations period for infringement damage claims and does not authorize shortening that period based on laches. Accordingly. the lower courts erred in using laches to cut off SCA's legal rights, as illustrated by the Court's recent decision in *Petrella*. There, the Court rejected the indistinguishable claim that laches could be used to shorten the three-year limitations period under the Copyright Act. 134 S. Ct.

at 1974. Sensitive to laches' traditional role as limiting only equitable forms of relief, this Court rejected that claim. The same analysis applies in this case.

A. Section 286 Prescribes a Six-Year Time Limit for Bringing Suit.

1. *The Text of Section 286 Creates a Bright-Line Six-Year Rule.* The text of section 286 is clear on its face. It provides in relevant part:

> Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

35 U.S.C. § 286.

The text of section 286 answers the question presented: the statute simply does not authorize using laches to shorten the statutorily prescribed limitations period. There is nothing ambiguous about section 286: a patent holder must bring suit within six years of an infringement in order to collect pre-complaint damages based on that infringement. Moreover, nothing in the statutory scheme authorizes shortening the six-year period based on laches.

To begin with, section 286 is plainly a statute of limitations. When Congress passed the original predecessor to section 286 in 1897, it explicitly called it a "statute of limitations." H.R. REP. NO. 54-940, at 2 (1896); 29 Cong. Rec. 901 (1897). Similarly, the House and Senate Reports accompanying the 1952 Patent Act expressly refer to section 286 as a "statute

of limitations." H.R. REP. NO. 82-1923, at 10 (1952); S. REP. NO. 82-1979, at 8–9 (1952); *see also* CHARLES J. ZINN, COMMENTARY ON NEW TITLE 35 U.S. CODE "PATENTS," 2 U.S.C.C.A.N. 2507, 2523 (1952) ("the statute of limitation on damages"). Tellingly, all of the judges below agreed that section 286 is a statute of limitations.

Moreover, section 286 is plainly *the* statute of limitations provision applicable to infringement damage claims. No other provision covers the same subject matter. There is no sound basis for concluding that some other, shorter limitations period should apply based on an equitable laches defense that the statute does not state or authorize.

In contrast, another provision of the Patent Act, section 283 governing the issuance of injunctions, does specifically direct the use of "the principles of equity" in fashioning remedies. 35 U.S.C. § 283. This provision illustrates that, in crafting the Patent Act, Congress knew how to authorize resort to equitable doctrines when it wanted to. As this Court has explained, "[w]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Russello v. United States*, 464 U.S. 16, 23 (1983) (internal quotation marks omitted). Because section 286 makes no such reference, courts may not resort to the equitable defense of laches to shorten the six-year period prescribed by Congress.

The loose textual analysis of the decision below contrasts with Congress's precision in drafting section

286. The six-year period is a hard deadline and cannot be extended or constricted "[e]xcept as otherwise provided by law." 35 U.S.C. § 286. The Patent Act and other governing federal law recognize two instances in which the six-year period may be extended, both involving actions against the government. First, the second paragraph of section 286 tolls the limitations period for up to six years to allow for government review of an infringement claim prior to suit. Second, if the government suppresses issuance of a patent on grounds of national security, an infringement claim can be delayed until the government lifts the secrecy ban, which may be well after the six-year bar would otherwise have run. 35 U.S.C. § 183. As these examples illustrate, the six-year limit can be modified in these particular circumstances as "provided by law." But there is no similar grant of power to extend—much less shorten—the limitations period based on the equitable doctrine of laches. This, of course, makes perfect sense. As noted, the *only* stated caveat to section 286 is the phrase "[e]xcept as otherwise provided by law," and no provision of law has ever taken the drastic and utterly unconventional step of authorizing the use of laches to limit legal damages claims.

2. *Construing Section 286 in Accordance with Its Plain Meaning Is Neither Absurd nor Demonstrably at Odds with Congress's Intentions.* "Given the clarity of the statutory text," First Quality "bears an 'exceptionally heavy' burden" of proving that something other than the statutory six-year limitations period applies here. *Patterson v. Shumate*, 504 U.S. 753, 760 (1992) (quoting *Union*

Bank v. Wolas, 502 U.S. 151, 155–56 (1991)). First Quality cannot shoulder this burden. Treating the provision as a uniform, bright-line, six-year rule is neither demonstrably at odds with Congress's intent nor absurd. Indeed, such a construction is the only one consistent with the well-established rule that laches cannot be used to shorten a statute of limitations provision applicable to legal damage claims. *Petrella*, 134 S. Ct. at 1973–75 (discussing *Holmberg v. Armbrecht*, 327 U.S. 392 (1946)).

B. The Decision Below Otherwise Conflicts with the Text of Section 286 and the Separate-Accrual Rule.

1. *The Text Treats Each Infringement as a Discrete Wrong.* Just like the Copyright Act's separate-accrual provision, section 286 presupposes that multiple infringements can give rise to multiple claims for relief. To begin with, section 286 expressly speaks of "any infringement," clearly contemplating the possibility of more than one. More broadly, by providing that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint," the section fairly contemplates that recovery *is* permissible for infringements occurring less than six years prior to the commencement of suit.

In addition, the section speaks of "the action," fairly contemplating a single action encompassing all infringement claims. Yet in applying its laches rule, the court below concluded that, if a *different* infringement has occurred more than six years prior to suit, *all* pre-suit damages claims based on *all* pre-suit infringements are presumptively barred. In other

words, the court below treated the statute as though it had been worded as follows: "no recovery shall be had for any infringement **if any other infringement was** committed more than six years prior to the filing of the complaint " (added language in bold and underlined). But there is no justification for adding such a limitation to the text and effectively treating all pre-suit infringements as one.

2. *The Decision Below Conflicts with the Separate-Accrual Rule That Section 286 Embodies.* As a rule, a federal cause of action does not accrue until the plaintiff "has a complete and present cause of action." *Wallace v. Kato*, 549 U.S. 384, 388 (2007) (quoting *Bay Area Laundry & Dry Cleaning Pension Trust Fund v. Ferbar Corp., Inc.*, 522 U.S. 192, 201 (1997)) (internal quotation marks omitted). Under this principle, a statute of limitations does not begin to run until "the plaintiff can file suit and obtain relief." *Wallace*, 549 U.S. at 388 (quoting *Bay Area Laundry*, 522 U.S. at 201). Critically, where a defendant commits successive violations, the limitations period typically runs separately from the date of each violation—a principle known as the separate-accrual rule. *Petrella*, 134 S. Ct. at 1969; *see also Bay Area Laundry*, 522 U.S. at 206. Under this rule, "a freestanding violation may always be charged within its own charging period regardless of its connection to other violations." *Ledbetter v. Goodyear Tire & Rubber Co., Inc.*, 550 U.S. 618, 636 (2007), *superseded on other grounds by statute*, Lilly Ledbetter Fair Pay Act of 2009, Pub. L. 111-2, 123 Stat. 5; *accord Nat'l R.R. Passenger Corp. v. Morgan*, 536 U.S. 101, 113 (2002) ("The existence of past acts and the [plaintiff's] prior knowledge of their

occurrence does not bar [plaintiffs] from filing charges about related discrete acts so long as the acts themselves are independently [unlawful] and charges addressing those acts are themselves timely filed."), *superseded on other grounds by statute*, Lilly Ledbetter Fair Pay Act of 2009, Pub. L. 111-2, 123 Stat. 5.

The separate-accrual rule has been the "standard rule" of federal law for more than a century and a half. *Gabelli v. SEC*, 133 S. Ct. 1216, 1220–21 (2013) (internal quotation marks omitted). This Court in particular "ha[s] repeatedly recognized that Congress legislates against the standard rule that the limitations period commences when the plaintiff has a complete and present cause of action." *Graham Cnty. Soil & Water Conservation Dist. v. United States ex rel. Wilson*, 545 U.S. 409, 418 (2005) (internal quotation marks omitted), *superseded on other grounds by statute*, 31 U.S.C. § 3730(h)(3) (2010). "Congress has been operating against [this rule] for a very long time." *TRW Inc. v. Andrews*, 534 U.S. 19, 38 (2001) (Scalia, J., concurring in the judgment).

Patent law is no exception. As this Court explained in the copyright context, "when a defendant commits successive violations, the statute of limitations runs separately from each violation." *Petrella*, 134 S. Ct. at 1969. And as all the judges below agreed, there is no material distinction between the copyright limitations provision and section 286. Pet. App. 18a, 48a.

Here, as in *Petrella*, the statute of limitations "makes the starting trigger an infringing act

committed [several] years back from the commencement of suit, while laches, as conceived by the [lower courts] and advanced by [respondents], makes the presumptive trigger the defendant's *initial* infringing act." 134 S. Ct. at 1975 (emphasis in original). For this reason, lumping separate patent infringements together for limitations purposes is at war with the statutory text, the separate-accrual rule, and the reasoning of *Petrella*. Nothing in the reasoning of the decision below, the governing statutory text, its legislative history, or applicable legal principles justifies such a departure.

C. As *Petrella* Made Clear, the Equitable Doctrine of Laches May Not Constrict a Statutory Limitations Period Applicable to Legal Claims.

1. *The Use of Laches Here Conflicts with Petrella and This Court's Other Precedents.* In *Petrella*, the Court analyzed at length the history of the laches doctrine. Laches, it noted, was developed by courts of equity, and "its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Petrella*, 134 S. Ct. at 1973 (citing 1 D. DOBBS, LAW OF REMEDIES § 2.4(4), at 104 (2d ed. 1993)). In other words, laches traditionally was no defense to a claim for legal relief. *Cross v. Allen*, 141 U.S. 528, 537 (1891); *Wehrman*, 155 U.S. at 326–27

These principles have been applied consistently to claims brought both before and after the merger of law and equity in 1938. In 1935, this Court held that "[l]aches within the term of the statute of limitations is no defense at law." *United States v. Mack*, 295 U.S. 480, 489 (1935), *quoted with approval in Merck & Co.*,

Inc. v. Reynolds, 559 U.S. 633, 652 (2010). In 1946, the Court likewise "cautioned against invoking laches to bar legal relief." *Petrella*, 134 S. Ct. at 1973 (describing *Holmberg*, 327 U.S. at 395–96). Almost forty years after *Holmberg*, the Court noted "that application of the equitable defense of laches in an action at law would be novel indeed." *Cnty. of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 244 n.16 (1985).

Petrella is the latest in a long line of this Court's decisions holding that Congress, not the judiciary, is the proper arbiter of timeliness in actions at law: "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period courts are not at liberty to jettison Congress' judgment on the timelinesss of suit." *Petrella*, 134 S. Ct. at 1967. Because Congress has exercised its judgment here in clear terms, and has not expressly authorized the use of laches to shorten the time limit it has prescribed, laches may not be used to truncate section 286's six-year period for bringing suit.

2. *The Use of Laches Here Unavoidably Conflicts with Congress's Choice.* When Congress legislates in an area, courts are not free to substitute their own judgment, including by adding limitations Congress has not seen fit to prescribe. *See 14 Penn Plaza LLC v. Pyett*, 556 U.S. 247, 270 (2009); *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 626 (1978), *overruled on other grounds by Miles v. Apex Marine Corp.*, 498 U.S. 19, 32–33 (1990). The purpose of section 286 was to create uniformity: "The statutes giving patent rights being national, the limitation of recovery should also be limited by national laws and be uniform

throughout the country." 29 Cong. Rec. 902 (1897) (statement of Rep. Mitchell). Because Congress weighed the relevant values in establishing its six-year rule, there is no warrant for courts to weigh matters differently in order to constrict that limitations period.

In *Petrella*, the Court concluded that there was "no case in which the Court has approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Petrella*, 134 S. Ct. at 1974. That is because there is a fundamental conflict between laches—which is a creature of discretion and equity—and a statute of limitations, the signature purpose of which is to provide certainty. Superimposing the discretionary standard of laches upon the statutory timeliness rule clouds the very certainty and clarity that rules are designed to promote. Such an unusual step would have to come from Congress, not the courts. Rejecting the argument that there was something unique about copyright law that justified combining the two doctrines, this Court held in *Petrella*: "There is nothing at all 'differen[t]' about copyright cases in this regard." *Id.* (citation omitted). The same analysis applies here.

3. *Nothing in the Merger of Law and Equity Permits the Use of Laches To Truncate a Statutory Limitations Period; Equity Still Follows the Law.* Before the merger of law and equity in 1938, legal and equitable remedies typically had to be pursued in separate actions, each with its own rules and procedures. The merger of law and equity changed that by permitting legal and equitable claims to be

litigated together. It did not, however, expand the role of equity as a means to limit legal claims. As was well established long before 1938, equity follows the law. This principle still holds true today.

Petrella demonstrates that, in *Aukerman*, the predecessor to the decision below, the Federal Circuit misperceived the relevant history. *Aukerman* theorized that the common law itself changed in the early part of the twentieth century with the merger of legal and equitable proceedings. In particular, the court conflated procedural and substantive consolidation, concluding that the merger authorized the use of the equitable doctrine of laches to limit legal relief, first under § 274b of the Judicial Code, Act of Mar. 3, 1915, ch. 90, § 274b, 38 Stat. 956 (codified at 28 U.S.C. § 398) (repealed 1938), and later under Rules 2 and 8 of the Federal Rules of Civil Procedure. *Aukerman*, 960 F.2d at 1031. This was a crucial error.

The *Aukerman* court did not properly take account of this Court's contrary precedent. In 1935, this Court ruled that section 274b was purely procedural in nature and did not change any substantive legal principles. *Enelow v. N.Y. Life Ins. Co.*, 293 U.S. 379, 382–83 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 282–83 (1988). The creation of the Federal Rules also provides no support for expanding the role of laches. As stated in *Petrella*: "True, there has been, since 1938, only 'one form of action—the civil action.' Fed. Rule Civ. Proc. 2. But 'the substantive and remedial principles [applicable] prior to the advent of the federal rules [have] not changed.'" 134 S. Ct. at 1974 (quoting 4 C. WRIGHT & A. MILLER, FEDERAL

PRACTICE AND PROCEDURE § 1043, at 177 (3d ed. 2002)).

In light of *Petrella*, the Federal Circuit has now in the decision below abandoned its earlier view—central to its decision in *Aukerman*—that the merger of law and equity worked a substantive change to the use of laches. But a bare majority of that court was unwilling to abandon the laches doctrine that rested on that essential premise. Its conclusion stands at war with both the governing statutory scheme and this Court's precedents.

4. *Even as to Equitable Relief, Laches Is Rarely a Threshold Bar and Must Almost Always Be Considered Among Other Factors in Fashioning an Appropriate Equitable Remedy.* Although laches has not historically been used to limit legal claims, it has been used traditionally in fashioning equitable remedies. But as this Court noted in *Petrella*, even there, laches is rarely a threshold bar. 134 S. Ct. at 1967. Rather, application of laches as a threshold bar to equitable relief is available only in "extraordinary circumstances." *Id.* Usually, consideration of delay is remitted to "the remedial stage, in determining appropriate injunctive relief, and in assessing" the infringer's profits. *Id.* at 1967; *see also id.* at 1978–79. This is consistent with the Patent Act's provision for an injunction, which courts may issue "in accordance with the principles of equity on such terms as the court deems reasonable." 35 U.S.C. § 283.

The statutory incorporation of "principles of equity" in section 283 requires courts to consider all of the equities in considering injunctions, including a

defendant's own improper conduct, before determining whether and how to award equitable relief. Yet rather than treating laches as exceptional even as to equitable relief, the decision below erred in extending it to apply routinely to both legal and equitable relief.

II. Section 282 Does Not Authorize Courts to Truncate Section 286's Six-Year Time Period.

With no support in the statutory text, common law, or the legislative history, the court below should have abandoned its practice of using laches to truncate the six-year limitations period prescribed in section 286. But instead of following *Petrella*, the court relied on a misguided contextual evaluation of another provision (section 282 of the Patent Act), a misreading of the legislative history, a few lower court decisions, and some ambiguous post-enactment commentary. None of these, however, justifies the court's departure from sound interpretative principles or this Court's precedents.

A. No Other Provision of the Patent Act Purports to Authorize Courts to Truncate Section 286's Six-Year Limitations Period.

Not one word of the Patent Act, including section 282, so much as hints that Congress intended to upset the balance it struck in 1897 when it enacted a six-year limitations period, let alone that Congress intended to create a unique hybrid statute of limitations/laches test. Nevertheless, the Federal Circuit refused to give primacy to the language of the actual limitations provision. Instead, it inferred from section 282 an implicit delegation of judicial power to curtail section 286's six-year limitations period.

Section 282, however, makes no mention of laches and delegates no power to abridge section 286 based on the doctrine. In conducting its analysis, the court below painted section 282 with a very broad brush, but remarkably did not identify exactly where in the text section 282 confers such authority. This is a very odd form of statutory construction, depending on no specific language or reference in the words of the Act.

In addition, the legislative history behind section 282 provides no support for such an expansive use of laches. As the court below observed, there is very little discussion in the House and Senate Reports discussing section 282(b). Pet. App. 19a. The court below relied on one sentence each from the House and Senate Reports, but its reliance was entirely misplaced. Pet. App. 19a–20a. The Senate Report merely states: "The five defenses named in R.S. 4920 are omitted and replaced by a broader paragraph specifying the defenses in general terms." S. REP. NO. 82-1979, at 29 (1952). The prior law that section 282 replaced, 35 U.S.C. § 69 (1946) (previously R.S. § 4920), had listed five defenses relating to (1) deceptive filing of patent specifications, (2) surreptitiously obtaining a patent invented by another, (3) prior invention as shown by patents and printed publications, (4) the inventor's not being the first inventor, and (5) prior public use or sale of the invention. There is simply no reference to laches in any of the five subsections of the prior law, and thus no basis for concluding that Congress wished to preserve laches as a holdover from the prior law.

Similarly, the House Report states:

> Section 282 introduces a declaration of the presumption of validity of a patent, which is now a statement made by courts in decisions, but has had no expression in the statute. The defenses to a suit for infringement are stated in general terms, changing the language of the present statute, but not materially changing the substance.

H.R. REP. NO. 82-1923, at 10 (1952). The House Report distinguishes between section 282(a), which created a new statutory provision confirming longstanding judicial precedent, and section 282(b), which was drafted to "not materially chang[e] the substance" of "the present statute." Once again, there was no indication that Congress intended to incorporate wholesale into section 282 whatever lower court decisions were on the books, let alone an aberrant laches doctrine. In any event, a laches defense against claims for legal damages was not part of the prior statute, was not a legitimate background principle of the common law established by longstanding judicial precedent, and was never intended to be part of the present statutory provision.

In addition, the decision below improperly elevated the general terms of section 282 over the specific terms of section 286. That, of course, violates the commonsense rule of construction that the general terms of one provision in an Act do not typically override the specific terms of another section in the same Act geared specifically to the relevant circumstance. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 228 (1957) ("However inclusive

may be the general language of a statute, it will not be held to apply to a matter specifically dealt with in another part of the same enactment.") (internal quotation marks omitted), *superseded by statute*, 28 U.S.C. § 1391(c) (1988). Applying that principle here, the defenses in section 282, written in general terms, should not be construed to trump the specific limitations period that Congress expressly wrote into section 286. Yet, turning this rule on its head, the Federal Circuit applied the opposite of this sensible presumption. It erroneously found that because "the legislative history characterizes § 282 as 'broader' and 'general' . ," section 282 could trump the more specific section 286. Pet. App. 22a.

Had Congress intended to include laches as a general defense, it certainly knew how to do so. As noted above, section 283 explicitly states that injunctive relief may be granted based on the principles of equity. And the Lanham Act, which has no statute of limitations, explicitly states that, in suits for trademark infringement, "equitable principles, including *laches*, estoppel, and acquiescence, are applicable." 15 U.S.C. § 1115(b)(9) (emphasis added); *see also Petrella*, 134 S. Ct. at 1974 n.15 (noting "the Lanham Act contains no statute of limitations, and expressly provides for defensive use of equitable principles, including laches") (internal quotation marks omitted). In contrast, the Patent Act contains no similar authorization. Because Congress knows how to incorporate a laches defense when it wants to, but chose not to do so in enacting either section 282 or section 286, it should be presumed that Congress acted intentionally in not including a laches defense here. *Russello*, 464 U.S. at 23.

Moreover, even if section 282 did encompass a laches defense, the statutory language provides no support for the further proposition that Congress authorized the application of this defense to *legal* claims. As explained above and elaborated further below, laches has traditionally been applied as a defense to equitable claims. If Congress had intended to depart from this tradition, it would have said so expressly.

B. The Controlling Precedent Is This Court's Long History of Laches Cases Culminating in *Petrella*, Not Any Lower Court Decisions.

Rather than analyze this Court's precedents on laches, the court below instead relied on a handful of ambiguous lower court decisions that had allegedly applied laches to limit legal claims. Taking this a step further, the court below apparently presumed that, because Congress did not expressly disapprove these decisions, it must have intended to incorporate them into the fabric of section 286. This approach not only conflicts with the text of section 286, but also suffers from three key errors. First, the cited lower court decisions do not demonstrate a practice suitable for a presumption of congressional acquiescence. Second, the cited decisions do not reflect the actual historic practice. Third, the court below misconstrued the decisions it cited.

1. *Congress Has Not Presumptively Endorsed the Federal Circuit's Laches Doctrine.* Because the practice of the Federal Circuit is contrary to this Court's precedents on the use of laches and likewise conflicts with the express terms of section 286, it is simply not the kind of rule that Congress may be

thought to have acquiesced in. In the past, this Court has cautioned against interpretations that read into statutory provisions implied limitations premised on congressional silence. *Jama v. Immigration & Customs Enforcement*, 543 U.S. 335, 341 (2005) ("We do not lightly assume that Congress has omitted from its adopted text requirements that it nonetheless intends to apply. . ."); *United States v. Wells*, 519 U.S. 482, 496 (1997) ("[W]e have frequently cautioned that it is at best treacherous to find in congressional silence alone the adoption of a controlling rule of law.") (citation and internal quotation marks omitted). And because *Petrella* represents the logical application of longstanding principles and precedents, it would be anomalous indeed to decline to apply its reasoning in the patent context simply because the Federal Circuit's practice has existed for a number of years or is arguably reflected in a handful of older lower court decisions. This Court has never approved the practice and has previously overruled several longstanding patent precedents that strayed from traditional approaches to statutory construction and established legal principles. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 136–37 (2007) (reversing Federal Circuit's standard for declaratory judgment jurisdiction, applied since 1984); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415 (2007) (reversing Federal Circuit's rigid application of a teaching, suggestion, and motivation test for obviousness established by the Court of Customs and Patent Appeals in 1961 and applied since the Federal Circuit's inception in 1982); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 393–94 (2006) (sweeping away the Federal Circuit's presumption in

favor of injunctions in patent cases, without regard to the traditional four-factor test, applied since 1984).

Further, a presumption of congressional acquiescence is not appropriate where, as here, the practice is not widespread among many lower courts, but constitutes a controversial practice of the bare majority of a single lower court that this Court has not yet had occasion to review. *Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 10 (2000) (lower court decisions were not "sufficiently widespread and well recognized to justify the conclusion of implicit adoption by the [Bankruptcy] Code"); *Jones v. Liberty Glass Co.*, 332 U.S. 524, 534 (1947) ("We do not expect Congress to make an affirmative move every time a lower court indulges in an erroneous interpretation."). Concluding otherwise would unduly impair this Court's ability to correct errors and burden its discretion in selecting cases for review.

2. *The Federal Circuit's Laches Doctrine Was Not a Well-Established Doctrine of the Common Law.* The decision below cites the canon of construction that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law." Pet. App. 24a (quoting *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013) (internal quotation marks omitted)). But that canon applies only when the common-law principle is "well established." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991). The actual, well-established rule is that laches cannot bar claims for legal relief, a rule repeatedly reaffirmed by this Court.

Petrella, 134 S. Ct. at 1973–74; *Holmberg*, 327 U.S. at 395; *Mack*, 295 U.S. at 489; *Wehrman*, 155 U.S. at 326–27; *Cross*, 141 U.S. at 537 The only possible exception might be where Congress has not enacted a limitations period at all. But that is not the situation here.

In reviewing the relevant history, the Federal Circuit erred in failing to distinguish between the patent holder's right to collect damages and *its right to collect damages in a court of equity*. As this Court held in *Petrella*, the important question in evaluating the reach of laches is whether the particular remedy at issue sounds in law or equity, not whether the remedy also happened to be available in a court of equity at some point. 134 S. Ct. at 1967 n.1 (analyzing whether specific copyright remedies are legal or equitable in origin). Thus, the relevant question is whether laches could bar the *remedy* of legal damages in its entirety. precluding recovery by the plaintiff in any forum, not whether the equity courts could have offered the relief.

Historically, laches could never bar a claim at law for legal damages. *Wehrman*, 155 U.S. at 326. As an equitable defense, it could not be pled in an answer to such a claim. Equitable defenses were asserted by filing a separate bill on the equity side of the court seeking an injunction to restrain the law court from proceeding. *Liberty Oil Co. v. Condon Nat'l Bank*, 260 U.S. 235, 243 (1922) ("If a defendant at law had an equitable defense, he resorted to a bill in equity to enjoin the suit at law if the prayer of the bill was granted, the injunction against the suit at law was made perpetual, and no jury trial ensued."). This was

not a matter peculiar to patent law, but a fundamental aspect of the procedural landscape. In addition, there were further distinctions to be made. The equity courts would not issue an injunction against further legal proceedings merely on account of laches, but only upon proof of the more stringent requirements for estoppel. *Wehrman*, 155 U.S. at 326. So laches was irrelevant to whether a plaintiff had a right to pursue legal damages in an action at law.[2]

When law and equity merged, the courts were able to do away with this cumbersome dual-tracked process. The procedure certainly changed, but the substantive requirements necessary to bar legal relief did not. *Petrella*, 134 S. Ct. at 1973–74; *Enelow*, 293 U.S. at 382.

3. *The Federal Circuit's Laches Doctrine Is Not Well-Grounded in the Older Case Law.* The court below posited a different common-law rule for patent infringement damage claims, asserting that "the case law demonstrates that, by 1952, courts consistently applied laches to preclude recovery of legal damages."

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[2] If the plaintiff brought an action on the equity side of the court, and relief was refused due to laches, the plaintiff would be remitted to his remedies at law. *See Locke v. Lane & Bodley Co.*, 35 F. 289, 294 (S.D. Ohio 1888) ("But it is said that the complainant's suit must fail, and the complainant be remitted to whatever rights he may have at law, by reason of his laches in pursuing his equitable remedy, the estoppel by conduct constituting a waiver of his equitable rights."), *rev'd on other grounds*, 150 U.S. 193 (1893). Dismissal of the equitable action had no effect on the right to seek damages in an action law. The only way to bar the pursuit of legal damages was by obtaining an injunction.

Pet. App. 29a. But this misstates the real question. Whether "courts" applied laches to bar legal damages is of no moment if the courts were equity courts refusing to entertain a bill in equity, to which a claim for legal damages was appended. To sustain its position, the Federal Circuit had to demonstrate that *courts of law* consistently applied laches to bar recovery of legal damages, but this it could not do.

Bereft of support from this Court's precedents, the majority turned to vague lower court decisions. Pet. App. 29a–33a. But as the dissent explained below, "[n]early all of these decisions either apply laches under a misinterpretation of § 274(b) of the Judicial Code, mention laches in dicta, or apply laches to bar a claim brought in equity." Pet. App. 59a.

Critically, the court below could point to only two patent cases that explicitly addressed the issue: *Ford v. Huff*, 296 F. 652 (5th Cir. 1924) and *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934). Pet. App. 30a–32a. But neither of these is persuasive. *Ford* was not a laches case at all, and *Banker* was overruled by this Court.

Ford neither reflects the common law nor supports the majority's position. The patent holder-plaintiff in *Ford* accepted payments from the defendant and thereby conveyed an intent to discharge his claim. 296 F. at 657–58. As a result, the Fifth Circuit concluded that the plaintiff was estopped from pursuing the claim. *Id.* at 658. Although the Fifth Circuit included the word "laches" in its decision, as the dissent noted below. the real work was done through estoppel. Pet. App. 60a–61a.

Moreover, *Ford* was decided against the background of the relatively new practice, authorized by section 274b, of pleading equitable defenses in legal cases. As discussed above, courts occasionally misinterpreted that statute to permit the application of equitable defenses to legal claims. Thus, *Ford* can be read as either an estoppel case (the better view) or a misapplication of section 274b. But it does not support the view that there was at that time a well-established practice of using laches to bar legal claims for patent infringement damages. *See* Pet. App. 60a–61a.

As the dissent observed, *Banker* "took *Ford* beyond its holding and applied laches in an action at law based on a misinterpretation of § 274(b)." Pet. App. 61a. The Third Circuit explicitly ruled in *Banker* in March 1934 that section 274b could be used to interpose the defense of laches against legal claims at law for damages. 69 F.2d at 666. A month later, the Third Circuit addressed the issue a second time in *Enelow*, citing *Banker* as precedent for its expansive interpretation of 274b. *Enelow v. N.Y. Life Ins. Co.*, 70 F.2d 728 (3d Cir. 1934), *rev'd*, 293 U.S. 379. This Court granted certiorari in *Enelow* and reversed, stating unequivocally that section 274b was merely procedural and did not change the substantive law. *Enelow*, 293 U.S. at 382–83. One or two swallows do not a summer make, especially where one was banished by this Court.

Moreover, several district court cases had addressed the precise issue and rejected the Federal Circuit's view. The District Court for the District of Massachusetts squarely faced the issue presented in

Banker and reached a contrary result, holding that section 274b did not change the common law rule in patent cases that laches cannot bar an action at law. *Thorpe v. Wm. Filene's Sons Co.*, 40 F.2d 269, 269 (D. Mass. 1930). The court in *Thorpe* correctly identified *Ford* as an estoppel case and anticipated this Court's interpretation of section 274b in *Enelow*. *Id.* at 270. *See also City of Concord v. Norton*, 16 F. 477, 480 (C.C.D. Mass. 1883). Indeed, even one of the appellate cases cited by the majority below recognized that laches could not be pled in an action at law to bar legal relief. *Middleton v. Wiley*, 195 F.2d 844, 847 (8th Cir. 1952).

In short, the pre-1952 patent cases provide extraordinarily little support for adopting a unique patent laches rule. The dissent below correctly charged the majority with ignoring this Court's precedents and creating special rules for patent cases. Pet. App. 46a, 49a–55a.

C. The Post-Enactment Commentary Cited Below Sheds No Light on Congress's Intent.

In conducting its analysis, the court below also relied heavily on a few words in the 1954 Federico Commentary, in which Mr. Federico stated ambiguously his view that the 1952 Patent Act was intended to encompass "equitable defenses such as laches, estoppel and unclean hands." Pet. App. 9a, 20a (quoting Federico Commentary at 215). But this question-begging commentary does little to clarify the issue, and much to obscure it.

1. *The Federico Commentary Says Nothing About Whether Laches Can Bar Damages at Law.* To begin with, it is not clear whether Mr. Federico in

offering his comment envisioned equitable defenses to equitable claims or to legal claims. As discussed, equitable defenses such as laches traditionally limited only equitable, not legal, relief.

2. *The Federico Commentary Is Not Legislative History.* Even if Mr. Federico intended to refer to equitable defenses including laches as barring legal remedies, this kind of commentary cannot trump the text of section 286, this Court's precedents, the traditional role of equitable defenses, or ordinary principles of interpretation.

Although it forms the cornerstone of the decision below, the Federico Commentary is nothing more than commentary. It certainly does not rise to the level of legislative history. Mr. Federico was not a legislator. By its own terms, the commentary consists simply of Mr. Federico's private "opinions and views," not those of Congress or even those of the PTO. Federico Commentary at 162–63.

3. *Post-Enactment Commentary Carries No Weight.* Even if Mr. Federico had been a legislator, his comments came two years after the fact in an article, not a contemporaneous congressional report. As this Court has remarked, "[p]ost-enactment legislative history (a contradiction in terms) is not a legitimate tool of statutory interpretation." *Bruesewitz v. Wyeth LLC*, 562 U.S. 223, 242 (2011). The court below thus improperly credited the commentary for far more than it is worth.

III. The Decision Below Undermines the Statutory Policies of Clarity, Predictability, Notice, and Sound Dispute Resolution.

Congress chose to create a uniform national statute of limitations so that patent holders and potential infringers could conduct their affairs and evaluate their rights and interests with certainty. A bright-line rule prevents premature litigation, reduces its costs, and fosters out-of-court dispute resolution. This Court recognized the benefits of a clearly stated timeliness rule in *Petrella*, but the decision below disregards them.

A. The Purpose of Section 286 Was to Create a Clear, Predictable, and Uniform Rule of Timeliness.

As noted, Congress enacted the limitations period codified in section 286 in order to establish "a uniform statute of limitations," in lieu of borrowing disparate state limitations periods. H.R. REP. NO. 54-940, at 2 (1986) (explaining Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694); *see also* 29 Cong. Rec. 901 (1897) ("this bill proposes to make a universal statute of six years, covering the entire country."). Congress's clear goal was thus to create a single limitations rule that would be "uniform throughout the country," with the expectation that it would be met "with general approval by the courts, for it again simplifies the issues " 29 Cong. Rec. 902 (1897).

The Federal Circuit's use of laches conflicts with this purpose. Its standard necessarily varies from case to case and is far from simple to apply.

B. The Equitable Laches Standard Promotes Needless Litigation, Not Settlement.

Clear timeliness rules help patent holders gauge when the benefits of litigation will outweigh their substantial costs. As this Court observed in *Petrella*, a clear statute of limitations "allows a copyright owner to defer suit until she can estimate whether litigation is worth the candle." 134 S. Ct. at 1976. As the Court also noted, under such a rule rights holders do not have to "sue soon or forever hold [their] peace." *Id.* Conversely, an ambiguous limitations standard would encourage patent holders to police every infringement by filing suit immediately so as not to lose their rights, which would only increase rather than reduce the amount of patent litigation. As this Court put it, such a rule would mean that patent holders "would have to mount a federal case fast to stop seemingly innocuous infringements, lest those infringements eventually grow in magnitude." *Id.*

Waiting often benefits all parties involved. Some infringements turn out to be too small to warrant litigation. Some patent holders, especially small inventors, need time because they may not find out about infringement for an extended period. Moreover, waiting gives both sides plenty of opportunity to try to resolve disputes out of court, by negotiating licensing agreements, seeking PTO review (as happened here), pursuing arbitration or mediation, or settling out of court. As the American Bar Association's Section on Intellectual Property Law has explained:

> [I]f the laches defense is more widely available (including during the six-year damages recovery period), patent

> litigation may be filed more quickly Under the Federal Circuit's *SCA Hygiene* decision, rational patent holders may fear that any delay could lead to laches (and the risk having the bulk of damages related to the infringement stripped away). Such an incentive is contrary to the long-held judicial policy favoring out-of-court dispute resolution.

Reply App. 9a–10a.

The facts of this case illustrate the perversity of penalizing reasonable delay. When First Quality disputed the validity of its patent, SCA first sought reexamination from the PTO. The reexamination took almost three years, and could easily take longer in some other proceedings. Cases that go through appeal within the PTO and to the Federal Circuit can take the better part of a decade. Patent holders should not be forced to file suit while regulatory action is still pending in order to avoid losing their rights if they are still within the limitations period Congress has prescribed. Yet the decision below penalized SCA for the very delay necessitated by the reexamination process, barring not only the oldest infringement damages claims but even the most recent ones. Unless reversed, the decision below will force future litigants to bypass the PTO and charge straight into court.

C. Congress Provided a Marking Requirement That Usually Limits Back Damages to Infringers Who Were on Notice.

In addition to creating perverse incentives, laches is also unnecessary to prevent stale claims for back damages. Congress carefully considered the issue of timeliness as part of a larger regulatory scheme, enacting three interlocking provisions that regulate the ability to collect pre-suit damages. The twenty-year patent term (35 U.S.C. § 154), the six-year limitations period, and the marking and notice provision (35 U.S.C. § 287) work together to create a well-designed statutory system for regulating back-damages awards. These provisions strike a balance between the rights of the patentee, the infringer, and the public. With Congress having expressly considered delay in legislating the requirements for pre-suit damages, it is not up to the courts to create a fourth requirement.

In particular, Congress addressed the problem of potential surprise to infringers in section 287(a). In order to seek back damages, the patent holder has to show that all infringing goods sold under its authority were marked with the patent number or that the patent holder gave direct notice of the claim to the infringer. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 514 (1964) (White, J., concurring); *Dunlap v. Schofield*, 152 U.S. 244, 248–49 (1894), *superseded by rule, as recognized in Maxwell v. J. Baker, Inc.*, 805 F. Supp. 728, 732 n.2 (D. Minn. 1992). Marking is sometimes impossible or impractical, such as when a cellphone uses hundreds or thousands of patents. Accordingly, in most cases

where the patentee seeks back damages, the patent holder must show that it made an explicit charge of infringement prior to suit.[3] The marking or notice requirements thus ensure fair warning, guarding against prejudice. There is no need for a laches defense to complicate and muddle this regulatory landscape. And if a potential infringer wishes to resolve the matter sooner, it is always free to file a declaratory judgment action. *See Petrella*, 134 S. Ct. at 1978–79.

IV. The Federal Circuit's Unique Presumption in Favor of Laches Conflicts with This Court's Equity Jurisprudence.

Finally, even if the courts have the power to use laches to curtail the six-year limitations period, they may not presume laches simply because an earlier infringement has occurred. As noted previously, the Federal Circuit's unique presumption of laches in patent cases stems from its decision in *Aukerman*. In that decision, the court concluded that, when a first act of infringement occurs more than six years before suit, the reliance and prejudice elements of laches are presumed with respect to all infringement occurring during the six-year period. 960 F.2d at 1028. The

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[3] The Federal Circuit has held that compliance with section 287 is not required in certain circumstances. *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1538 (Fed. Cir. 1993) (only method claims asserted); *Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1219–20 (Fed. Cir. 2002) (no prior use of patent by patent holder or licensees), *overruled on other grounds by Phillips v. AWH Corp.*, 415 F.3d 1303, 1320–23 (Fed. Cir. 2005).

presumption rests on the premise that infringement is a "unitary claim," and that infringement before and after the six-year limitations date must rise and fall together. *Id.* at 1031–32.

This Court, however, expressly rejected such a presumption in *Petrella*. In *Petrella*, the Ninth Circuit, like the decision below, had presumed laches in the copyright context whenever any *other* infringing acts had originated before the statute of limitations. 134 S. Ct. at 1973. The Ninth Circuit's presumption of laches at issue in *Petrella*, like the presumption of laches here, is at war with the separate-accrual rule discussed above. The Copyright Act's statute of limitations "makes the starting trigger an infringing act committed three years back from the commencement of suit, while laches," and in particular the presumption in favor of laches, "makes the presumptive trigger the defendant's *initial* infringing act." *Id.* at 1975. "Only by disregarding [the limitations on damages for time-barred infringements], and the separate-accrual rule attending [the statute of limitations], could the [lower court in *Petrella*] presume that infringing acts occurring before [the statute of limitations] bar all relief, monetary and injunctive, for infringement occurring on and after that date." *Id.* at 1973. Thus, even if the doctrine of laches had any continued vitality in relation to legal damages claims, there would be no basis for presuming unreasonable delay and prejudice with respect to *new* acts of infringement occurring within the six-year damages window.

The presumptions of unreasonable delay and prejudice work perverse and bizarre results, as this

case well illustrates. Here, rather than burden the courts needlessly, SCA asked the PTO to reexamine its own patent. The reexamination process spanned from six years before suit to three years and four months before suit, but could easily have taken many more years with PTO and court appeals. During the reexamination process, First Quality committed repeated acts of infringement, and it also infringed the new claims issued at the conclusion of the reexamination for three years and four months before suit. Although section 286 gives the patent holder six years to file suit, the district court, acting in equity, snuffed out all pre-suit infringement claims, presuming unreasonable delay.

With respect to prejudice, the presumptions were dispositive on the issue of laches, but oddly not on the issue of estoppel. In particular, the court below found that there was a genuine issue of fact for trial on prejudice for estoppel purposes, barring summary judgment. Yet, the court then woodenly applied the laches presumption of prejudice to the same facts in order to bar SCA's claim for back damages.

Legal rules and equitable standards each have their place, but it is important to keep each from exceeding its proper office. For the timeliness of patent claims, Congress chose legal rules, a decision that should be respected. But if the Court decides to retain any role for equity in this matter, surely, the signature virtue of equity—its flexibility—should be preserved. Because the Federal Circuit's presumption regime is inequitably inflexible, it should be abandoned.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be reversed.

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